

# United Westburne Industries Limited

JAN 28 1974

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ANNUAL  
REPORT

1973



# 1973

## TWENTY-FIRST ANNUAL REPORT

### DIRECTORS

MESSRS.

T. HOWARD ATKINSON, M.C.  
LUCIEN CORNEZ  
F.R. MATTHEWS, Q.C.  
ABRAHAM PALMER  
JOSEPH RIMERMAN

MAURICE SAILLANT  
JOHN A. SCRYMGEOUR  
DESMOND N. STOKER  
JAMES L. THOMPSON  
DRUVAL W. WESTCOTT  
S. ABRAMOVITCH, C.A.

### OFFICERS

MESSRS.

\*JOHN A. SCRYMGEOUR,  
Chairman of the Board  
\*LUCIEN CORNEZ,  
President  
\*DRUVAL W. WESTCOTT,  
Executive Vice-President  
\*S. ABRAMOVITCH, C.A.,  
Vice-President, Finance

GILLES HAMEL, C.A.,  
Treasurer & Controller  
J. C. CRAWFORD,  
Secretary  
HYMAN TERK,  
Assistant-Secretary

*\*Member of Executive Committee*

### AUDITORS

MESSRS.

TOUCHE ROSS & CO.

### REGISTRAR & TRANSFER AGENT

COMMON

MONTREAL TRUST COMPANY, Montreal, Toronto, Calgary

PREFERRED

MONTREAL TRUST COMPANY, Montreal, Toronto, Winnipeg, Calgary, Vancouver

### HEAD OFFICE

535 Seventh Avenue South West,  
Calgary, Alberta

## United Westburne Industries Limited

The Annual General Meeting of the Shareholders of the Company will be held at the Lakeview Suite, Calgary Inn, 4th Avenue and 3rd Street S.W., City of Calgary, Province of Alberta, on Monday, the 25th day of June, 1973, at the hour of 10:30 o'clock in the forenoon (Calgary time).

**TO THE SHAREHOLDERS OF  
UNITED WESTBURNE INDUSTRIES LIMITED**



During the year under review United Westburne Industries Limited sales volume reached an alltime record of \$140,596,742 up 35.8% from fiscal 1972. Pretax earnings were \$3,590,460, a 26.1% increase over last year. Net earnings totalled \$2,082,727 compared to \$1,605,274.

In the fiscal year 1973, we have further accelerated our expansion programme both in the plumbing, heating and electrical supply distribution and now operate from 67 branches across Canada. Three additional branches were opened in Sept-Iles, Burnaby and Abbotsford. In the electrical field, we acquired Haldane Electric Supply Limited, a large multibranch Toronto based wholesaler serving Ontario. Outlets are located in Toronto, Streetsville, Scarborough, Kingston, Barrie, Hamilton and Oshawa.

United Westburne Industries Limited is a subsidiary of Westburne International Industries Ltd. which now owns over 96% of the outstanding common shares. A copy of the Annual Report of that company is available to United's shareholders by writing to its Secretary at 535 Seventh Avenue, S.W., Calgary, Alberta.

On behalf of the Board of Directors,  
**LUCIEN CORNEZ**  
*President*

May 22, 1973





# CONSOLIDATED BALANCE SHEET

## ASSETS

	1973	1972
<b>CURRENT</b>		
Cash and short term deposits . . . . .	\$ 1,476,909	\$ 859,826
Accounts receivable, after deducting allowance for doubtful accounts of \$1,260,695 (\$937,209 — 1972) . . . . .	26,859,727	18,444,626
Due from parent company . . . . .	—	112,990
Inventories, at the lower of cost or net realizable value . . . . .	28,253,479	21,540,262
Prepaid expenses . . . . .	286,846	93,077
	<u>56,876,961</u>	<u>41,050,781</u>
 MORTGAGES RECEIVABLE . . . . .	 214,790	 140,514
 FIXED ASSETS, at cost: (Note 3) . . . . .	 12,362,384	 7,198,841
 INVESTMENTS, at cost . . . . .	 33,510	 20,479
 DEBENTURE DISCOUNT AND EXPENSE, LESS AMORTIZATION . . . . .	 171,960	 185,618
 EXCESS OF COST OF INVESTMENTS IN SHARES OF SUBSIDIARIES OVER NET ASSETS AT DATE OF ACQUISITION (Note 2) . . . . .	 2,781,162	 2,711,319
	<u>\$ 72,440,767</u>	<u>\$ 51,307,552</u>

## AUDITORS' REPORT

The Shareholders,  
United Westburne Industries Limited

We have examined the consolidated balance sheet of United Westburne Industries Limited and its subsidiary companies as at March 31, 1973 and the consolidated statements of earnings and retained earnings and source and application of funds for the year ended on that date. For United Westburne Industries Limited and those subsidiaries of which we are auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to those subsidiaries of which we are not auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at March 31, 1973 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Que.  
May 14, 1973

TOUCHE ROSS & CO.  
Chartered Accountants.

# Industries Limited

Companies

CE SHEET AS AT MARCH 31, 1973

## LIABILITIES

	<u>1973</u>	<u>1972</u>
CURRENT		
Bank loans, secured . . . . .	\$ 15,882,000	\$ 11,159,978
Dividend payable . . . . .	39,935	41,375
Accounts payable . . . . .	19,536,026	14,012,108
Income taxes payable . . . . .	37,574	831,115
Due to parent company . . . . .	225,557	—
Long term debt due within one year . . . . .	827,862	378,530
	<hr/>	<hr/>
	36,548,954	26,423,106
DUE TO AFFILIATED COMPANY . . . . .	1,920,316	—
LONG TERM DEBT (Note 4) . . . . .	13,228,360	6,694,633
DEFERRED INCOME TAXES . . . . .	698,622	—

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK: (Note 5)

6¼% Cumulative Redeemable First Preferred "A" Shares  
of the par value of \$50 each

Authorized . . . . . 60,000 shares

Purchased for cancellation (including  
1,640 shares during the year) . . . . . 8,935 shares

Issued and fully paid . . . . . 51,065 shares

Common Shares of the par value of \$2.50 each

Authorized . . . . . 5,000,000 shares

Issued and fully paid . . . . . 1,661,025 shares

CONTRIBUTED SURPLUS . . . . .

RETAINED EARNINGS (Note 6) . . . . .

448,087

12,890,613

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20,044,515

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\$ 72,440,767

2,635,250

4,152,565

432,608

10,969,390

---

18,189,813

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\$ 51,307,552

On behalf of the Board:

JOHN A. SCRYMGEOUR, Director

LUCIEN CORNEZ, Director



# United Westburne Industries Limited

And Subsidiary Companies

## CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the Year Ended March 31, 1973

	1973	1972
GROSS REVENUE . . . . .	\$140,596,742	\$103,541,773
OPERATING INCOME BEFORE THE UNDERNOTED ITEMS . . . . .	5,976,588	4,343,858
Deduct		
Amortization of debenture discount . . . . .	13,656	14,116
Depreciation . . . . .	695,264	443,366
Interest — long term debt . . . . .	1,008,155	477,363
— other . . . . .	1,012,428	639,180
Management fee paid to parent company . . . . .	264,000	327,500
	2,993,503	1,901,525
Add		
Equipment rental income . . . . .	100,100	—
Interest and other income . . . . .	507,275	405,339
	607,375	405,339
Net earnings before income taxes . . . . .	3,590,460	2,847,672
Provision for income taxes . . . . .	1,725,379	1,260,363
Net earnings before extraordinary items . . . . .	1,865,081	1,587,309
Extraordinary items		
Reduction of income tax due to loss carried forward of a subsidiary company . . . . .	192,000	—
Gain on purchase of bonds for sinking fund requirement . . . . .	25,646	17,965
	217,646	17,965
Net earnings for the year . . . . .	2,082,727	1,605,274
Retained earnings at beginning of year . . . . .	10,969,390	9,530,991
	13,052,117	11,136,265
Dividends paid on preferred shares . . . . .	161,504	166,875
Retained earnings — end of year . . . . .	\$12,890,613	\$10,969,390
Net earnings per common share outstanding		
Operations . . . . .	\$1.03	\$0.86
Extraordinary items . . . . .	.13	.01
TOTAL . . . . .	\$1.16	\$0.87
Fully diluted earnings per common share outstanding		
Operations . . . . .	\$0.94	\$0.79
Extraordinary items . . . . .	0.12	0.01
TOTAL . . . . .	\$1.06	\$0.80

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended March 31, 1973

	1973	1972
SOURCE		
From operations		
Net earnings . . . . .	\$ 2,082,727	\$1,605,274
Amounts charged to earnings not affecting working capital		
Gain on purchase of bonds for sinking fund requirement . . . . .	(25,646)	(17,965)
Gain on sale of fixed assets . . . . .	(42,336)	—
Depreciation and amortization . . . . .	708,920	457,482
Deferred income taxes . . . . .	674,818	34,409
	3,398,483	2,079,200
Sale of fixed assets . . . . .	464,581	88,113
Working capital of new subsidiaries at date of acquisition . . . . .	342,542	2,520,707
Increase in long term debt . . . . .	7,651,537	997,403
Loan from affiliated company . . . . .	1,920,316	—
Receipts on mortgage receivables . . . . .	14,421	10,737
Repayment of amounts due from affiliate . . . . .	—	908,293
Issue of common shares . . . . .	—	120
	13,791,880	6,604,573
APPLICATION		
Additions to fixed assets . . . . .	6,183,189	1,975,410
Investments in subsidiary companies . . . . .	500,000	3,441,006
Dividends paid . . . . .	161,504	166,875
Repayment of long term debt . . . . .	1,087,065	363,937
Purchase of preferred shares . . . . .	66,521	58,900
Other investments . . . . .	93,269	80,013
	8,091,548	6,086,141
INCREASE IN WORKING CAPITAL . . . . .	\$ 5,700,332	\$ 518,432



# United Westburne Industries Limited

And Subsidiary Companies

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 1973

### 1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the subsidiary companies, which are all wholly owned, from the dates of acquisition.

### 2. EXCESS OF COST OF INVESTMENTS IN SUBSIDIARIES OVER NET ASSETS AT DATES OF ACQUISITION:

At the time of purchase of the subsidiary companies \$589,000 of the excess of purchase price over net assets was attributed to fixed assets. The management is of the opinion that the remaining \$2,781,162 excess of cost of investments in subsidiaries over net assets at dates of acquisition is of continuing value and accordingly does not contemplate any amortization of this asset.

### 3. FIXED ASSETS, AT COST:

	1973	1972
Land	\$ 1,263,451	\$ 1,288,031
Buildings and equipment	10,209,923	8,984,867
Offshore oil rig	4,500,000	—
	<u>15,973,374</u>	<u>10,272,898</u>
Less: Accumulated depreciation	3,610,990	3,074,057
	<u>\$ 12,362,384</u>	<u>\$ 7,198,841</u>

### 4. LONG TERM DEBT:

7% sinking fund debentures, series "A" maturing March 15, 1987, redeemable prior to maturity, for other than sinking fund purposes, at the principal amount plus 4 $\frac{1}{4}$ % if redeemed prior to March 31, 1974, the premium thereafter decreasing yearly by 3/8% up to March 31, 1985 when they become redeemable at par. A sinking fund is required to retire \$250,000 principal amount on March 15, 1974 and \$275,000 on March 15, 1975 to 1986 inclusive.

Authorized:	\$ 4,500,000	\$ 4,500,000
Less: Purchased for and in anticipation of sinking fund requirements	780,500	541,500
	<u>3,719,500</u>	<u>3,958,500</u>

7 $\frac{1}{2}$ % sinking fund debentures, series "B" maturing August 1, 1982, redeemable prior to maturity, for other than sinking fund purposes, at the principal amount plus 5% prior to August 1, 1973, the premium thereafter decreasing yearly by  $\frac{1}{2}$ % up to August 1, 1981 and thereafter at par. A sinking fund is required to retire \$40,000 principal amount on August 1, 1973 to 1981 inclusive.

Authorized:	600,000	600,000
Less: Purchased for sinking fund requirements	200,000	160,000
	<u>400,000</u>	<u>440,000</u>

8 $\frac{1}{2}$ % sinking fund debentures, series "C" maturing March 31, 1989, redeemable prior to maturity, for other than sinking fund purposes, at the principal amount plus 6.60% if redeemed prior to March 31, 1974, the premium thereafter decreasing .45% up to March 31, 1988 when they become redeemable at par. A sinking fund is required to retire \$50,000 principal amount on March 31, 1974 to 1988 inclusive.

Authorized:	1,000,000	1,000,000
Less: Purchased for sinking fund requirements	200,000	150,000
	<u>800,000</u>	<u>850,000</u>
Carried forward	<u>4,919,500</u>	<u>5,248,500</u>

	1973	1972
Brought forward	\$ 4,919,500	\$ 5,248,500
Bank loans — 9% with monthly blended payment, maturing June 1, 1992 and renewable every five years — to be secured by certain fixed assets.	5,000,000	—
1 $\frac{3}{4}$ % above U.S. prime rate with quarterly payments of \$75,000 maturing July 31, 1977 — guaranteed by parent company	1,846,297	—
2% above prime rate with monthly payments of \$1,508 until March 21, 1983	124,259	—
	<u>6,970,556</u>	<u>—</u>
6 $\frac{1}{2}$ % to 10 $\frac{3}{4}$ % mortgages, payable in monthly instalments until 1985.	2,166,166	1,824,663
	<u>14,056,222</u>	<u>7,073,163</u>
Less: Repayable within one year	827,862	378,530
	<u>\$ 13,228,360</u>	<u>\$ 6,694,633</u>

The trust deeds accompanying the issue of the debentures, impose restrictions relating to the redemption of capital stock, the declaration of dividends, the pledging of assets and the level of minimum working capital. Such debentures are secured by a floating charge on the Company's assets.

### 5. CAPITAL STOCK:

At March 31, 1973 and 1972 there were 193,974 common shares reserved to provide for the exercise of the following share purchase warrants —

#### Series A

Exercisable at a price of \$6.00 per share, subject to dilution in certain events, prior to March 15, 1977 178,974 shares

#### Series B

Exercisable at a price of \$14.00 per share, subject to dilution in certain events, prior to March 31, 1979 15,000 shares

### 6. RETAINED EARNINGS — RESTRICTED:

Under the provision of the governing statutes \$846,750 (the amount equal to the par value of preferred shares redeemed) is restricted from distribution to shareholders.

The agreement with the preferred shareholders requires that a purchase fund be established and at March 31, 1973 \$50,000 of retained earnings was earmarked for this purpose.

### 7. DIRECTORS' REMUNERATION:

The total direct remuneration received by directors and senior officers of the Company during the twelve months ended March 31, 1973 was \$349,000.

### 8. COMMITMENTS:

The Company and its subsidiaries have entered into lease agreements for premises at annual rentals of approximately \$684,642 for various terms expiring up to 1990.

